

Six Deadly Sins in Forex Trading

It does not matter if you are a new trader or a veteran trader, most of us will commit one of the six deadly sins in Forex Trading. As a veteran trader, you will likely to commit only one or two, but for less informed traders, they are likely to commit more, if not all, of the sins listed below.

1. Reliance on the Experts. In 2007 to 2008, the housing market crumbled, the stock market tumbled, and many investors lost money. Many of Wall Street's top analysts had vouched for the toxic mortgage-related securities, and many investment banks went bankrupt because of this reliance on the Experts. The same principle can be applied to Forex trading. Forex reviews and forum postings can easily be manipulated; hence, you should be skeptical when coming across the latest "can't miss" software or trading courses that promise to double your trading profits in two weeks.

2. Setting the wrong goal and trading target. Everyone seems to focus on setting goals and achieving ten pips a day. This is a marketing ploy to sell more Forex trading courses, software, or the latest Forex techniques on DVDs. No one can consistently achieve ten pips a day. You can't take when the market is not providing you with trading opportunities. If you set an unattainable goal, you are setting yourself up for failure. Be realistic with yourself and set up monthly goals instead of daily or weekly trading goals.

3. Not paying proper attention to drawdown. It does not matter if you are trading manually or with automated trading software, all traders and trading software will go through a period of drawdown or a losing streak. You must always take this possibility into account and not compound your trading lot. You may compounding your winnings, but this technique will also amplify your losses when a losing streak hits. Always have an exit strategy or enough cash to cushion any drawdown that may occur.

4. Forgetting to practice, practice, and practice. In order to master a new trading skill, you will need several months, or even years to refine your skills. Don't fool yourself and think that you have mastered the market after three months of demo trading. Many have gone down the same road and failed. You will not be the exception, so don't bet your entire savings on it.

5. Falling in love with a trade. Don't hold on to a losing trade that is going to wipe out your account, even the great Warren Buffett is wrong at times; hence, be willing to cut your losses and move on.

6. Not checking your emotion. There is no such thing as a guaranteed winning trade. You must learn to treat each trade, whether it be a losing trade, break-even, or winning trade, equivalent emotionally. It is possible to have 10 or more consecutive losing trades; hence, don't give up, just learn to move on. It is business as usual, and you should not let your previous losing trades affect your decision making process. One of the primary reasons why automated trading software works so well is because it is not emotionally affected by either winning or losing trades.

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